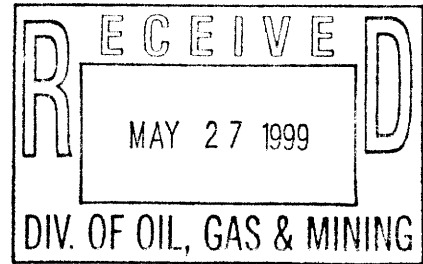




May 24, 1999



Ms. Pamela Grubaugh-Littig  
 Utah Division of Oil, Gas & Mining  
 1594 West North Temple, Suite 1210  
 P.O. Box 145801  
 Salt Lake City, Utah 84114-5801

Copy Pam

**RE: Application for Approval of Transfer, Assignment or Sale of Mine  
 Permit - Horizon Mine, Permit No. ACT/007/020 #2**

Dear Ms. Littig:

TRAD

As we discussed on Thursday, May 20, 1999, Horizon Mining, LLC ("Horizon"), a Utah limited liability company, the permittee of the Horizon Mine Permit No. ACT/007/020, has entered into negotiations with Lodestar Energy, Inc., a Delaware corporation ("Lodestar"), to sell the Horizon Mine and associated permit rights. Under the terms of the proposed Asset Purchase Agreement ("Agreement"), Horizon will agree to assign to Lodestar all right, title and interest in Mine Permit No. ACT/007/020 subject to the approval of the Division of Oil, Gas & Mining. Lodestar will agree to assume the reclamation liability and obtain personal injury and property damage insurance for the Horizon Mine as required by R645-301-117.

Please consider this letter, together with the attached document containing Lodestar's ownership and control structure, compliance status and other required information, as an application for pre-approval of the proposed transfer, assignment or sale of Permit No. ACT/007/020 as set forth at R645-303-321. Also enclosed for your review is a draft Notice of Publication which will be advertised pursuant to R645-303-322.

Please let us know if you need anything further. We will keep you apprised of the status of our negotiations.

Very truly yours,

LODESTAR ENERGY, INC.

HORIZON MINING, LLC

BY

Enclosures  
 /jmc:91852

*R. Eberley Davis*  
*R. Eberley Davis* *Vice Pres.*

BY

*Larry G. Jones*  
*V.P. Mining*  
*Larry G. Jones*

Lodestar Energy, Inc.

333 West Vine Street, Suite 1700 ■ Lexington, Kentucky 40507-1628

tel. 606/255-4006 ■ fax. 606/255-0330